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## House Bill 4710

The Michigan Liquor Control Commission opposes House Bill 4710 for several reasons.

First, applications for licenses are submitted and completed at all times throughout the licensing year, which runs May 1 to April 30. The full license fees are collected for these applications pursuant to MCL 436.1525(13) which requires fees to be paid at the time application is submitted. Depending on the type of application, a license application may take a few weeks to several months to be completed. This means that fees might be collected in a different quarter or even a different fiscal year from when the application is completed and may need to be prorated. Because of the payment in advance of the fees, any proration would require a refund. This becomes problematic as the fees are distributed statutorily to local governmental units, the MLCC for operational expenses, substance abuse programs, and the Michigan Department of Agriculture and Rural Development's Craft Beverage Council. The MLCC would in many cases be required to issue refunds for prorated fees that may have already been disbursed as required by statute. All of the prorations and refunds would need to be hand-calculated as the current licensing software does not calculate fees this way and it is unknown if it could be modified to make these calculations. There are several license fees that are \$10 or \$25 and the cost for staff to calculate the proration and process the refunds may cost more than the actual amount prorated and refunded to the licensee.

Second, three license types – salesperson, broker, and vendor representative – renew at the same time every three years. The next renewal occurs in 2023. Based on the way HB 4710 is written, the MLCC would need to prorate these license fees quarterly over a three-year period (12 quarters) for these types of licenses. Furthermore, these licenses are relatively low cost (\$35 for salesperson and \$50 for broker and vendor representative), so the cost for staff to calculate the proration and process the refunds may cost more than the actual amount prorated and refunded to the licensee.

Third, the proration of the fees will reduce revenues, which as aforementioned are distributed a number of ways. For retailer licensing fees (the largest amount of license application fees collected), the disbursement is 55% to local governmental units, 41.5% to the MLCC for operational costs, and 3.5% for substance abuse programs. For manufacturer licensing fees, 100% of all the fees collected are disbursed to the Craft Beverage Council. Estimating the reduction in revenue is difficult because of applications being submitted and completed at all times

throughout the year. However, for example using the 2020-2021 licensing year, the total estimated license fees collected were approximately \$1.6 million. Prorating these fees quarterly based on the bill's language, would have reduced this amount to an estimated \$990,800, or an estimated 39% reduction overall. This number could rise or fall, depending on when applications are received and completed throughout the year.